

Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 L-03 PA-03 PRS-01 USIA-15 DRC-01 /173 W

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R 261000Z SEP 73

FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 1556

USDOC WASHDC

LIMITED OFFICIAL USE SECTION 1 OF 2 NOUAKCHOTT 880

EO 11652: NA

TAGS: BPRO EIND MR

SUBJECT: LANG SUGAR REFINERY CONTRACT

REF: STATE 176141

PASS EXIM BANK

SUMMARY: THE TEN MILLION DOLLAR-PLUS LANG SUGAR REFINERY CONTRACT MAY BE COMING APART. LANG PRESIDENT BOB TEMPLE HAS GOTTEN TOUGH ORDERS FROM CHAIRMAN HIS PARENT CORPORATION, INTERNATIONAL SYSTEMS CONTROL (KENNEALLY), TO RENEGOTIATE CONSTRUCTION CONTRACT SIGNED HERE LAST MAY IN ORDER ASSURE GOOD PROFIT MARGIN OR CANCEL THE DEAL OUTRIGHT. THIS MESSAGE GIVES REASONS FOR ISC ACTION AS BEST WE KNOW THEM. THE MAURITANIANS ARE NOT YET FULLY AWARE OF THIS NEW TACK, BUT SOON WILL BE, AND MAY REACT STRONGLY. GIVEN FAVORABLE PUBLICITY GIRM FOCUSSED ON THIS US "FIRST" FOR MAURITANIA, WE ARE CONCERNED ABOUT THESE DEVELOPMENTS WHICH ARE BOUND REFLECT ADVERSELY ON US BUSINESS. ACTION REQUESTED: WE INTEND GIVE DUTCH UNCLE TREATMENT TO LANG REPS HERE AND HOPE USDOC, DEPARTMENT AND EXIM WILL BACK OUR PLAY STATESIDE.

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1. RECEIVED LAST WEEK TELEX FROM LANG PRESIDENT TEMPLE INDICATING BOARD CHAIRMAN HIS PARENT COMPANY ISC HAD INSTRUCTED HIM EITHER CANCEL SUGAR REFINERY CONSTRUCTION CONTRACT OR NEGOTIATE NEW CONTRACT, INTER ALIA ELIMINATING PENALTIES FOR FAILURE COMPLETE CONSTRUCTION WITHIN TWO YEARS AND PUTTING ENTIRE JOB ON COST-PLUS BASIS. IN EVENT CANCELLATION COMPANY WOULD RETURN GIRM DOWNPAYMENT (OVER ONE MILLION DOLLARS) MINUS LANG EXPENSES TO DATE.

2. TEMPLE IN SAME TELEX ALSO COMPLAINED OF REPORT THAT GIRM CONSIDERED LANG "SECOND RATE" OUTFIT AND WAS ABOUT TO HIRE FORMER COMPETITORS FOR CONSTRUCTION CONTRACT (BELGIANS) AS REFINERY CONSTRUCTION ENGINEERING CONSULTANTS. FINALLY, TEMPLE SAID, LANG AT BEST WOULD MAKE ONLY SMALL PROFIT ON CONTRACT AS CURRENTLY WRITTEN. HE ADDED "WITH THE ADMINISTRATIVE DELAYS WE FACE WE WILL UNDOUBTEDLY LOSE MILLIONS."

3. FYI IN SUBSEQUENT DISCUSSION WITH MININDUSTRIAL DEVELOPMENT--WHOSE OFFICE DIRECTLY INVOLVED WITH LANG CONTRACT--I ASKED IF HE CONCERNED RE LANG COMPETENCE TO DO JOB. MINISTER RESPONDED HE MOST SATISFIED WITH THEIR PERFORMANCE TO DATE AND ADDED HE WOULD NEVER HAVE SIGNED LANG CONTRACT HAD HE BELIEVED THEM LESS THAN COMPETENT. END FYI.

4. SUBSEQUENT PHONE CONVERSATION WITH TEMPLE AND CONTACTS WITH OTHER LANG EMPLOYEES REVEAL LONG LIST OF PROPOSED CONTRACT REVISIONS. NOTABLE AMONG THESE ARE A) ELIMINATION OF PENALTY CLAUSES, B) GUARANTEED CURRENCY CONVERTIBILITY AS RELATED TO "LOCAL COSTS," C) SIMPLIFIED CUSTOMS CLEARANCE ARRANGEMENTS, INCLUDING BLANKET TAX EXEMPTION FOR ALL CONSTRUCTION MATERIALS, AND D) TAX EXEMPTION OR GUARANTEED GIRM REIMBURSEMENT ANY LOCAL TAX COSTS TO LANG.
(COMMENT: QUESTION THAT CURRENCY CONVERTABILITY IS REAL PROBLEM, AND THOUGH IT IS NOT SPECIFICALLY MENTIONED IN CURRENT CONTRACT, BELIEVE GIRM WOULD OFFER NECESSARY SEPARATE SPECIFIC GUARANTEES.)

5. ABOVE IS GIST OF MESSAGE LANG REP WILL CONVEY TO GIRM DURING PLANNED VISIT HERE NEXT WEEK. LANG PRESIDENT TEMPLE
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WILL FOLLOW-UP WITH PERSONAL VISIT OCTOBER 21-22 ONCE GIRM HAS OPPORTUNITY DIGEST IT. SHOULD LANG DECIDE TO PULL OUT OF THE DEAL AS NOW WRITTEN, WE WOULD EXPECT GIRM CALL FOR ARBITRATION. AT SUCH JUNCTURE EMBASSY MAY REQUEST USDOC/EXIM FIND ANOTHER US FIRM WILLING TACKLE REFINERY CONSTRUCTION IN LANG'S PLACE.

6. COMMENT: WHILE LANG IS NOT SAYING SO, IT SEEMS OBVIOUS

TO US THAT THEY TOOK SOME CALCULATED RISKS IN INITIAL CONTRACT
NEGOTIATIONS WHICH HAVE NOT YET PAID OFF. SPECIFICALLY,
LANG SIGNED A CONSTRUCTION CONTRACT ALLOWING IT ALMOST NO
PROFIT IN EXPECTATION PROMPTING QUICK GIRM AGREEMENT ON
MANAGEMENT CONTRACT, WHICH LANG HAD DESIGNED TO GUARANTEE
PROFITS BIG ENOUGH TO COMPENSATE FOR BREAK-EVEN CONSTRUCTION
DEAL. THIS HAS NOT COME TO PASS. LANG AND GIRM HAVE BEEN
NEGOTIATING MANAGEMENT CONTRACT OFF AND ON FOR NEARLY FOUR
MONTHS AND NEITHER SIDE IS GIVING AN INCH. MINISTER
INDUSTRIALIZATION HAS INFORMED US HE INCLINED FAVOR LANG
GETTING MANAGEMENT CONTRACT, BUT IS NOT PREPARED NEGOTIATE
"UNDER GUN," I.E. WITH SINGLE BIDDER. HE HAS SOUGHT BID FROM
EUROPEAN FIRM FOR PURPOSES COMPARISON WHICH HE EXPECTS RECEIVE
BY END SEPTEMBER. HOWEVER, AS REASSURANCE TO LANG, MINISTER
POINTED OUT TO ME THAT CURRENT OPINION IN GIRM FAVORS EXPANDING
CONTACTS WITH US PRIVATE SECTOR. WE HAVE INFORMED TEMPLE OF
THIS. WE RECOGNIZE MANAGEMENT CONTRACT NEGOTIATIONS HAVE BEEN
DRAGGED OUT AND LANG UNDERSTANDABLY NERVOUS THAT IT MAY
NOT WIN CONTRACT. ASSUME IT IS BASICALLY THIS IMPASSE
WHICH HAS BROUGHT TEMPLE UNDER KENNEALLY'S GUN AT ISC.

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R 261000Z SEP 73

FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 1559

USDOC WASHDC

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PASS EXIM BANK

7. ACTION REQUESTED. EXIM, USDOC AND DEPARTMENT
CONSULT AND DECIDE ON WHICH WILL INTERVENE
IN THIS MATTER TO EXPLAIN TO LANG-ISC A) GIRM FAVORABLE VIEW
OF LANG BOTH AS CONTRACTOR AND POSSIBLE MANAGER OF REFINERY,
B) NEED FOR PATIENCE IN DEALING WITH GOVT WHOSE ADMINISTRATIVE
BOTTLENECKS KNOWN TO LANG WHEN IT SIGNED ON LAST MAY,
AND C) OUR CONCERN THAT IMAGE US BUSINESS WILL BE GRAVELY
AFFECTED IF LANG NOW TEARS UP CONTRACT. WE WILL USE SPMLAR
DUTCH UNCLE APPROACH WITH LANG REPS HERE. WE WILL ALSO
CONTINUE TO ACT AS CONDUIT BETWEEN LANG AND GIRM, BUT AS
ALWAYS REFRAIN FROM DIRECT INVOLVEMENT IN NEGOTIATIONS.

DECON 6/30/74.

MURPHY

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